

**NORTH VILLAGE
SPECIAL SERVICE DISTRICT
A COMPONENT UNIT OF WASATCH COUNTY**

Financial Statements

December 31, 2006

**NORTH VILLAGE
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

**Financial Statements
Year Ended December 31, 2006**

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INDEPENDENT AUDITORS' REPORT

Honorable Administrative Board Members
North Village Special Service District
Heber City, Utah

We have audited the accompanying financial statements of North Village Special Service District, a component unit of Wasatch County, as of and for the year ended December 31, 2006, as listed in the table of contents. These financial statements are the responsibility of North Village Special Service District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of North Village Special Service District as of December 31, 2006, and the changes in its financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 7, 2007 on our consideration of North Village Special Service District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on

the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages MDA-1 through MDA-6 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. The accompanying Schedule of Impact Fee Activities on page 16 is supplementary information required by *Utah Code Sections* 10-5-129, 10-6-150, 17-36-37, and 17A-1-4, and is not a required part of the basic financial statements. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Hawkins Cloward + Simister, LC

HAWKINS CLOWARD & SIMISTER, LC

CERTIFIED PUBLIC ACCOUNTANTS

April 7, 2007

NORTH VILLAGE SPECIAL SERVICE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the North Village Special Service District, we offer readers of the District's financial statements this narrative overview and analysis of the District's financial performance during the year ending December 31, 2006. Please read it in conjunction with the District's financial statements and additional information that we have furnished in the Independent Auditors' Report.

FINANCIAL HIGHLIGHTS

- The District's total net assets increased from \$(105,572) to \$224,592 due to ongoing engineering and construction of sewer and water infrastructure creating warrants payable and accounts payable.
- The District's operating expenses are largely the result of a water lease contract with Jordanelle Special Service District for \$ 336,740 to meet the water needs of the District.
- The District's revenues are mainly Water Reserve fees in the amount of \$452,107 to pass through the cost of the Jordanelle SSD water lease contract. Jordanelle Ridge is the customer that produced the majority of the water and sewer revenue for the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes the Management's Discussion and Analysis, the Independent Auditors' Report and the basic financial statements of the District. The financial statements also include notes that explain in more detail some of the information in the financial statements.

REQUIRED FINANCIAL STATEMENTS

The financial statements of the District report information of the District accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about the District's activities. The Statement of Net Assets includes all of the District's assets and liabilities and provides information about the nature and amounts of investments and resources (assets) and the obligations to District creditors (liabilities). It also provides the basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Assets. This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all of its costs through its fees and other charges, and to determine its profitability and credit worthiness.

The final required financial statement is the Statement of Cash Flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financial activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

NORTH VILLAGE SPECIAL SERVICE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)

FINANCIAL ANALYSIS OF THE DISTRICT

The Statement of Net Assets, and the Statement of Revenues, Expenses, and Changes in Net Assets report the net assets of the District and the change in them. The District's net assets, or the difference between assets and liabilities, is one way to measure financial health or financial position. Over time, increases or decreases in the District's net assets will be one indicator of whether its financial health is improving or deteriorating. However, in the future one will need to consider other non-financial factors such as changes in economic conditions, population growth, and new or changed government legislation.

NET ASSETS

**Table A-1
Statement of Net Assets
2006**

	<u>2006</u>	<u>2005</u>	<u>Dollar Change</u>	<u>Total Percent Change</u>
Current and Other Assets	\$ 8,277,296	\$ 108,177	\$ 8,169,119	% 99
Capital Assets	<u>5,134,348</u>	<u>3,639,300</u>	<u>1,495,048</u>	<u>29</u>
Total Assets	<u>\$13,411,644</u>	<u>\$3,747,477</u>	<u>\$9,664,167</u>	<u>72</u>
Long-term Liabilities	\$ 12,421,600	\$ 7,600	\$ 12,414,000	% 99
Other Liabilities	<u>765,452</u>	<u>3,845,449</u>	<u>\$ (3,079,99)</u>	<u>(4)</u>
Total Liabilities	<u>\$13,187,052</u>	<u>\$3,853,049</u>	<u>\$ 9,334,003</u>	<u>70</u>
Invested in Capital Assets, Net of Related Debt	\$ (493,108)	358,971	\$ (358,971)	
- Restricted	<u>375,555</u>		<u>375,555</u>	
- Unrestricted	<u>342,145</u>	<u>(464,543)</u>	<u>313,580</u>	
Total Net Assets	<u>\$ 224,592</u>	<u>\$ (105,572)</u>	<u>\$ 330,164</u>	

The District's Net Assets increased by \$ 330,164 due to the increase in capital contributions. The District also reported a net increase due to an increase customer base to support expenses during on-going construction of infrastructure.

NORTH VILLAGE SPECIAL SERVICE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)

NET ASSETS (cont.)

**Table A-2
Statement of Revenues,
Expenses, and Changes in Net Assets
2006**

	<u>2006</u>	<u>2005</u>	<u>Dollar Change</u>	<u>Total Percent Change</u>
Operating Revenues	\$ 499,202	\$ 359,066	\$ 140,136	% 28
Nonoperating Revenues	<u>15,160</u>	<u>27</u>	<u>15,133</u>	99
Total Revenues	<u>514,362</u>	<u>359,093</u>	<u>155,269</u>	<u>30</u>
Depreciation Expense	61,173	57,869	3,304	05
Amortization Expense	3668		3668	100
Other Operating Expense	357,790	372,862	(150,72)	(04)
Nonoperating Expense	<u>119,567</u>	<u></u>	<u>119,567</u>	<u>100</u>
Total Expenses	<u>\$ 542,198</u>	<u>\$ 430,731</u>	<u>\$111,467</u>	<u>20</u>
Income (Loss) Before Capital Contributions	(27,836)	(71,638)	43,802	
Capital Contributions	<u>358,000</u>	<u>889</u>	<u>357,111</u>	
Changes in Net Assets	330,164	(70,749)	400,913	
Beginning Net Assets	<u>(105,572)</u>	<u>(34,823)</u>	<u>(70,749)</u>	
Ending Net Assets	\$ <u>224,592</u>	\$ <u>(105,572)</u>	<u>\$330,164</u>	

While the Statement of Net Assets shows the change in financial position of net assets, the Statement of Revenues, Expenses, and Changes in Net Assets provides answers as to the nature and source of these changes. There was an overall increase in net assets of \$ 330,164.

NORTH VILLAGE SPECIAL SERVICE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)

BUDGETARY HIGHLIGHTS

The District adopts an annual Budget by resolution following a public hearing. The Budget includes proposed expenses and the means of financing them. The District's Budget remains in effect the entire year and is subject to revision if necessary during and/or at the end of the year following a public hearing and adoption by the Governing Board by resolution. A quarterly analysis is presented to management and to the Governing Board for their review.

**Table A-3
Budget vs. Actual
2006**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues			
From Operations	\$ 366,993	\$ 499,202	\$ 132,209
Non-operating Revenue	125	15,160	15,035
Total	<u>367,118</u>	<u>514,362</u>	<u>147,244</u>
Operating Expenses			
Overhead & Management			
Water Leases	336,200	308,725	27,475
Supplies, Materials, Services	36,150	49,065	(12,915)
Depreciation and Amortization	65,000	64,841	159
Non-operating Expense		<u>119,567</u>	<u>(119,567)</u>
 Total Expenses	 <u>437,350</u>	 <u>542,198</u>	 <u>(104,848)</u>
 Income (Loss) Before Capital Contributions	 <u>\$ (70,232)</u>	 <u>\$ (27,836)</u>	 <u>\$ 42,396</u>

A public hearing was held on December 1, 2005 and the 2006 final budget was adopted by resolution on December 7, 2005 by the District's Governing Board. The final adopted budget for 2006 is represented in Table A-3 above. Total expenses were over budget by \$104,848 which is approximately 24% of the total budget. This overage is due to engineering work that was not completed in 2005 as planned, and the cost of the direct purchase fee for the NVSSD Special Improvement District 2002-01 which was not included in the budget in the amount of \$98,236.

NORTH VILLAGE SPECIAL SERVICE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)

CAPITAL ASSETS

The District invested \$1,720,897 in capital assets in 2006. This was used for water shares, water lines, sewer lift stations, and construction in progress.

**Table A-4
Capital Assets
2006**

	<u>2006</u>	<u>2005</u>	<u>Dollar Change</u>	<u>Total Percent Change</u>
Capital assets, not being depreciated				
Easements	\$ 6,045	\$ 6,045		
Construction in progress	1,948,089	399,374	\$1,548,715	% 79
Infrastructure not in service	<u>308,951</u>	<u>308,951</u>		
Total capital assets, not being depreciated	\$ <u>2,263,085</u>	\$ <u>714,370</u>	<u>1,548,715</u>	% 68
Capital assets, being depreciated				
Sewer Lines	\$ 1,055,903	\$ 1,049,627	\$ 6,276	% 1
Sewer Lift Stations	302,534	301,304	1230	.4
Water Lines	<u>1,707,121</u>	<u>1,707,121</u>		
Total capital assets, being depreciated	\$ <u>3,065,558</u>	\$ <u>3,058,052</u>	\$7506	% 1
Less: Accum. Depreciation	<u>(194,295)</u>	<u>(133,122)</u>	<u>(61,173)</u>	
Net Depreciable assets	\$ <u>2,871,263</u>	<u>2,924,930</u>	\$ <u>(53,667)</u>	(2)
Capital assets, net	<u>\$ 5,134,348</u>	<u>\$ 3,639,300</u>	<u>\$ 1,495,048</u>	% 29

The District's Capital Plan includes the construction of water and sewer lines. The increase in net capital assets of \$1,495,048 is the result of investments in property, plant equipment and in interest being capitalized.

NORTH VILLAGE SPECIAL SERVICE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)

DEBT ADMINISTRATION

A bond was issued in 2006 in the amount of \$6,519,682 to pay off the interim warrants from Zions First National Bank. This was used for the construction and installation of main sewer and water lines and related facilities. Payments will begin in 2007.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The County Council and management of the District considered many factors when setting the year 2007 budget. One of those factors is the local economy and the impact our rates will have on local property owners. Additional establishments of water and sewer policies will be completed in 2007 so that the District may operate under implemented ordinances and policies. A water and sewer impact fee analysis study was completed, and the District's rate structure was put into place in 2003. This rate structure is competitive with other Special Service Districts' rate structures within Wasatch County. In 2007 the District received water share contributions from River Meadows Ranch in the amount of \$1,179,000. The District expects to receive other water shares in the future. As they are received the value will be based on the current market.

CONTACTING THE DISTRICT'S FINANCIAL MANAGER

This financial report is designed to provide our customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the North Village Special Service District, 55 South 500 East #118, Heber City, Utah 84032.

FINANCIAL STATEMENTS

The financial statements include integrated sets of financial statements as required by accounting principles generally accepted in the United States of America. The statements include:

Statement of Net Assets

Statement of Revenues, Expenses, and Changes in Net Assets

Statement of Cash Flows

NORTH VILLAGE SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF WASATCH COUNTY

Statement of Net Assets

December 31, 2006

With Comparative Totals for December 31, 2005

	2006	2005
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 1 and 2)	\$ 447,476	\$ 72,771
Accounts receivable (Note 1)	49,879	670
Current portion of special assessment receivable (Note 3)	305,188	
Total current assets	<u>802,543</u>	<u>73,441</u>
Noncurrent Assets		
Restricted cash and cash equivalents (Note 2)	1,139,365	916
Capital assets (Notes 1 and 8)		
Non-depreciable capital assets	2,263,085	714,370
Depreciable equipment, net	2,871,263	2,924,930
Debt issuance costs, net	128,388	33,820
Special assessment receivable (Note 3)	6,207,000	
Total noncurrent assets	<u>12,609,101</u>	<u>3,674,036</u>
Total assets	<u><u>\$ 13,411,644</u></u>	<u><u>\$ 3,747,477</u></u>
LIABILITIES		
Current Liabilities		
Accounts payable		\$ 1,579
Accrued interest payable	\$ 119,567	292,118
Construction payable		212,384
Due to other governmental entities (Note 6)	28,015	59,039
Current portion of special assessment bond (Note 4)	312,682	
Current portion of deferred special assessments (Note 3)	305,188	
Current portion interim warrants (Note 3)		3,280,329
Total current liabilities	<u>765,452</u>	<u>3,845,449</u>
Noncurrent Liabilities		
Deferred revenue (Note 3)	7,600	7,600
Special assessment bond (Note 4)	6,207,000	
Deferred special assessment revenue (Note 3)	6,207,000	
Total noncurrent liabilities	<u>12,421,600</u>	<u>7,600</u>
Total liabilities	<u><u>\$ 13,187,052</u></u>	<u><u>\$ 3,853,049</u></u>
NET ASSETS		
Invested in capital assets, net of related debt (Note 9)	\$ (493,108)	\$ 358,971
Restricted net assets		
Debt service	16,591	
Capital projects	358,964	
Unrestricted (deficit)	<u>342,145</u>	<u>(464,543)</u>
Total net assets (deficit)	<u><u>\$ 224,592</u></u>	<u><u>\$ (105,572)</u></u>

NORTH VILLAGE SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF WASATCH COUNTY

Statement of Revenues, Expenses, and Changes in Net Assets

For the Year Ended December 31, 2006

With Comparative Totals for the Year Ended December 31, 2005

	2006	2005
Operating Revenues		
Charges for services	\$ 39,428	\$ 9,054
Reservation fees	452,107	350,012
Miscellaneous revenue	173	
Bond assessments	7,494	
Total operating revenues	<u>499,202</u>	<u>359,066</u>
Operating Expenses		
Materials, supplies, and services	357,790	372,862
Depreciation	61,173	57,869
Amortization	3,668	
Total operating expenses	<u>422,631</u>	<u>430,731</u>
Operating income (loss)	<u>76,571</u>	<u>(71,665)</u>
Nonoperating Revenues (Expenses)		
Interest revenue	15,160	27
Interest expense	<u>(119,567)</u>	
Total nonoperating revenues (expenses)	<u>(104,407)</u>	<u>27</u>
Loss Before Contributions	<u>(27,836)</u>	<u>(71,638)</u>
Capital Contributions		
Impact fees		889
Contributions from developers	358,000	
Total capital contributions	<u>358,000</u>	<u>889</u>
Change in Net Assets	330,164	(70,749)
Net assets – beginning of year	<u>(105,572)</u>	<u>(34,823)</u>
Net assets – end of year	<u>\$ 224,592</u>	<u>\$ (105,572)</u>

NORTH VILLAGE SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF WASATCH COUNTY

Statement of Cash Flows

For the Year Ended December 31, 2006

With Comparative Totals for the Year Ended December 31, 2005

	2006	2005
Cash Flows from Operating Activities		
Receipts from customers	\$ 442,499	\$ 359,043
Bond assessment receipts	7,494	
Payments to suppliers	(390,393)	(342,154)
Net cash provided by operating activities	<u>59,600</u>	<u>16,889</u>
Cash Flows from Capital and Related Financing Activities		
Proceeds from debt	9,320,973	352,850
Construction of capital assets	(1,622,661)	(316,375)
Bond issuance costs	(98,236)	(4,367)
Capital contributions-impact fees		889
Capital contributions	358,000	
Principal paid on debt	(6,081,620)	
Interest paid on debt	(438,062)	
Net cash provided by capital and related financing activities	<u>1,438,394</u>	<u>32,997</u>
Cash Flows from Investing Activities		
Interest	15,160	27
Net cash provided by investing activities	<u>15,160</u>	<u>27</u>
Net increase in cash and cash equivalents	1,513,154	49,913
Balances – beginning of year	<u>73,687</u>	<u>23,774</u>
Balances – end of year	<u><u>\$ 1,586,841</u></u>	<u><u>\$ 73,687</u></u>
Cash and cash equivalents	\$ 447,476	\$ 72,771
Restricted cash and cash equivalents	1,139,365	916
	<u><u>\$ 1,586,841</u></u>	<u><u>\$ 73,687</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	\$ 76,571	\$ (71,665)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation	61,173	57,869
Amortization	3,668	
Changes in assets and liabilities		
Increase in accounts receivable	(49,209)	(23)
Increase (decrease) in accrued liabilities	(32,603)	30,708
Net cash provided by operating activities	<u><u>\$ 59,600</u></u>	<u><u>\$ 16,889</u></u>
Noncash capital and related financing activities		
Capitalized interest	\$ 145,944	\$ 138,189

NOTES TO FINANCIAL STATEMENTS

The notes to the financial statements are included to provide information that is essential to a user's understanding of the financial statements.

**NORTH VILLAGE
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements and notes are representations of North Village Special Service District's management, which is responsible for their integrity and objectivity. They have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and present the financial position, the changes in its financial position, and the cash flows of the District as of December 31, 2006, and for the year then ended. This summary of significant accounting policies of the District is presented to assist in understanding the financial statements.

Reporting Entity

North Village Special Service District (the District) is an enterprise fund type of the governmental entity Wasatch County operated similar to a private business enterprise. The intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges for water and sewer services.

Component Unit

Under the guidelines established by GASB 39, the District has been determined to be a component unit of Wasatch County for financial accounting purposes and is included as a blended component unit in the County's financial statements.

Basis of Accounting

Enterprise funds focus on measurement of the flow of economic resources. With this measurement focus, all assets and liabilities associated with the operation of this fund, both current and noncurrent, are included on the Statement of Net Assets. The accrual basis of accounting is utilized by enterprise funds. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred.

Enterprise funds follow all Governmental Accounting Standards Board (GASB) pronouncements. In addition, all Financial Accounting Standards Board (FASB) and Accounting Principles Board (APB) opinion pronouncements issued on or before November 30, 1989 are followed, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

**NORTH VILLAGE
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's ongoing operations. The operating revenues of the District are water and sewer fees and water reservation fees received from developers within the District's boundaries. Operating expenses for the District include the costs of services and administrative expenses. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

Cash and Cash Equivalents

The District defines cash and cash equivalents as all deposits in its checking account and all highly liquid debt instruments purchased with a maturity of three months or less. See Note 2 for additional information.

Capital Assets

All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000.

The cost of maintenance and repairs is charged to income as incurred; significant renewals and betterments are capitalized.

Depreciation is computed using the straight-line method over the useful life of the asset. Estimated useful lives of the various classes of depreciable capital assets are as follows:

	<u>Years</u>
Sewer lines	50
Water lines	50
Sewer lift station	50

**NORTH VILLAGE
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the income for the period. Assets the District is constructing are not placed in service until the construction is complete; therefore, no depreciation is taken. Interest on construction related debt is capitalized. The District capitalized \$145,944 in interest for the year ended December 31, 2006. See Note 8 for additional information.

Accounts Receivable

The District considers an account to be delinquent if payment has not been received by the last day of the month following the month of billing. All delinquent accounts are assessed a finance charge of \$15 per month. Wasatch County passed an ordinance allowing districts to place a lien on any property with an overdue balance of either reserve fees or customer service fees. As the District will eventually collect the fees, an allowance for doubtful accounts is not recorded in the financial statements.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Budgeting

The District's governing board adopts a budget for each year prior to the beginning of the year. These budgets are amended during the year, as the board deems necessary, to accommodate current operations and are accepted by official vote of the board. The board did not amend the budget for the year ended December 31, 2006.

Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions, and natural disasters. The District has retained the risk of loss and will fund claims as they occur. As of December 31, 2006, no claims had been made.

**NORTH VILLAGE
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A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The District first utilizes restricted resources to finance qualifying activities. See Note 9 for further information.

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits and investments for District are governed by the Utah Money Management Act (*Utah Code Annotated*, Title 51, Chapter 7, "the Act") and by rules of the Utah Money Management Council (the Council). Following are discussions of the District's exposure to various risks related to its cash management activities.

Custodial Credit Risk - Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be recovered. The District's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the District to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of December 31, 2006, \$399,417 of the District's bank balance of \$499,417 were uninsured and uncollateralized.

Credit Risk

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The District's policy for limiting the credit risk of investments is to comply with the Money Management Act.

**NORTH VILLAGE
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2006

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

Credit Risk (Continued)

The District is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

For the year ended December 31, 2006, the District had investments of \$1,116,076 with the PTIF. The entire balance had a maturity of less than one year. The PTIF pool has not been rated.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The District manages its exposure to declines in fair value by investment mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

Restricted Cash and Cash Equivalents

In 2003, the District began collecting impact fees for sewer development and improvements as described in Note 7. The \$964 of unexpended fees and interest is being held in the PTIF account.

Bond assessments are restricted until they are needed to meet debt service requirements. As of December 31, 2006, unexpended assessments of \$7,494 are being held in a PTIF account.

Debt service reserve accounts established to meet bond issue requirements currently total \$661,065. These funds are being held in a PTIF account and will be used to meet future debt service requirements.

Unspent bond proceeds are restricted until they are needed to meet residual construction and bond issuance costs. As of December 31, 2006, unexpended proceeds of \$111,870 are being held in a PTIF account and the checking account.

**NORTH VILLAGE
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2006

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

Restricted Cash and Cash Equivalents (Continued)

The District received \$358,000 to cover the anticipated costs to complete the River Meadows Ranch water system. These funds are being held in a PTIF account.

NOTE 3 – SPECIAL ASSESSMENT RECEIVABLES AND DEFERRED REVENUE

Governmental accounting principles require that special assessment revenue be recognized when the underlying event has occurred (levy) and demand for payment is made (billing). Therefore, the District has recorded \$6,512,188 of special assessment receivables and deferred revenue since billings for these assessments have not been made.

See Note 4 for additional information regarding the special assessment bonds. The amount billed equaled \$7,494 for the year ended December 31, 2006.

NOTE 4 – LONG-TERM LIABILITIES

Long-term Liabilities

Descriptions of the long-term debt are as follows:

Interim Warrants

In order to fund the construction of the water and sewer line infrastructure, the District issued interim warrants drawn on Zions First National Bank bearing interest of between 3.20 percent and 6.40 percent. The warrants were paid off in 2006 with the issuance of Special Assessment Bond, Series 2006.

Special Assessment Bond, Series 2006

This bond was issued in 2006 in the amount of \$6,519,682. This bond was used to pay off the interim warrants from Zions First National Bank which were used to finance the construction and installation of main sewer and water lines and related facilities. The bond is payable over a 15 year period with interest rates ranging from 5.32 percent to 5.45 percent. Annual payments will begin August 1, 2007.

**NORTH VILLAGE
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2006

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

The District's long-term liabilities for the year ended December 31, 2006 are as follows:

	Balance 12/31/2005	Additions	Reductions	Balance 12/31/2006	Due Within One Year
Revenue Bonds					
Special assessment bonds		\$ 6,519,682		\$ 6,519,682	\$ 312,682
Total bonds payable, net		<u>6,519,682</u>		<u>6,519,682</u>	<u>312,682</u>
Other liabilities					
Interim warrants	\$ 3,280,329	2,801,291	\$ (6,081,620)		
Total notes payable	<u>3,280,329</u>	<u>2,801,291</u>	<u>(6,081,620)</u>		
Deferred revenue	7,600			7,600	
Deferred assessment revenue		6,519,682	(7,494)	6,512,188	305,188
Total long-term debt	<u>\$ 3,287,929</u>	<u>\$ 15,840,655</u>	<u>\$ (6,089,114)</u>	<u>\$ 13,039,470</u>	<u>\$ 617,870</u>

The District received funds from developers before they had a legal claim to them; therefore, they were recorded as a liability on the Statement of Net Assets. When the recognition criteria are met, the liability will be removed from the Statement of Net Assets and the revenue will be reported in the operating statement.

Annual Debt Service Requirements

The District's annual requirements to meet their debt obligations to maturity are as follows:

Year ending December 31:	Principal	Interest	Total Obligation
2007	\$ 312,682	\$ 331,109	\$ 643,791
2008	309,000	335,619	644,619
2009	325,000	319,118	644,118
2010	342,000	301,828	643,828
2011	361,000	283,600	644,600
2012-2016	2,116,000	1,105,229	3,221,229
2017-2021	2,754,000	465,338	3,219,338
Net noncurrent debt	<u>\$ 6,519,682</u>	<u>\$ 3,141,841</u>	<u>\$ 9,661,523</u>

NORTH VILLAGE SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2006

NOTE 5 – ECONOMIC DEPENDENCY

In 2006, The District received ninety-one (91) percent of its revenues from water reservation fees received from participating property owners. Once operational, North Village Special Service District will be economically dependent on the sewer collection and water services it provides within its boundaries.

NOTE 6 – RELATED PARTIES

Jordanelle Special Service District

In 2002, the District entered into an agreement with Jordanelle Special Service District (JSSD) to provide wastewater treatment services for the District. Until the District's infrastructure is in place, JSSD will charge the District a monthly water reservation fee of \$326 per acre foot for 83.33 acre feet. Additionally, JSSD provides inspections of the construction in progress. The District paid JSSD \$336,740 during the year ended December 31, 2006, of which \$28,015 was still due as of December 31, 2006. The District and JSSD are both component units of Wasatch County.

NOTE 7 – IMPACT FEE REVENUE

The District has assessed an impact fee of \$3,023 per equivalent residential unit since October 17, 2003, for developments wishing to participate in the services of the District. No impact fees were collected in 2006.

NOTE 8 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2006 is as follows:

	Balance 12/31/2005	Additions	Deletions	Balance 12/31/2006
Capital assets, not being depreciated				
Easement	\$ 6,045			\$ 6,045
Infrastructure not in service	308,951			308,951
Construction in progress	399,374	\$ 1,986,777	\$ 438,062	1,948,089
Capital assets, not being depreciated	714,370	1,986,777	438,062	2,263,085

**NORTH VILLAGE
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2006

NOTE 8 – CAPITAL ASSETS (CONTINUED)

	Balance 12/31/2005	Additions	Deletions	Balance 12/31/2006
Capital assets, being depreciated				
Water lines	1,707,121			1,707,121
Sewer lines	1,049,627	6,276		1,055,903
Sewer lift stations	301,304	1,230		302,534
Total capital assets, being depreciated	3,058,052	7,506		3,065,558
Less accumulated depreciation				
Water lines	(81,089)	(34,142)		(115,231)
Sewer lines	(39,508)	(20,993)		(60,501)
Sewer lift stations	(12,525)	(6,038)		(18,563)
Total accumulated depreciation	(133,122)	(61,173)		(194,295)
Net depreciable assets	2,924,930	(53,667)		2,871,263
Capital assets, net	<u>\$ 3,639,300</u>	<u>\$ 1,933,110</u>	<u>\$ 438,062</u>	<u>\$ 5,134,348</u>

NOTE 9 – NET ASSETS

Net assets at December 31, 2006 consisted of the following:

Invested in capital assets, net of related debt	
Property, plant, and equipment, net	\$ 5,262,736
Outstanding debt issued to construct capital assets	(5,755,844)
Total invested in capital assets, net of related debt	<u>\$ (493,108)</u>
Restricted net assets	
Restricted for debt service	\$ 668,559
Outstanding debt issued to construct capital assets	(651,968)
Total restricted for debt service, net of related debt	<u>\$ 16,591</u>

**NORTH VILLAGE
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2006

NOTE 9 – NET ASSETS (CONTINUED)

Restricted for construction of River Meadows Ranch water system	\$ 358,000
Restricted for sewer development and improvements	964
Restricted unspent portion of bond proceeds	111,870
Outstanding debt issued to construct capital assets	<u>(111,870)</u>
Restricted unspent portion of bond proceeds, net of related debt	<u>-0-</u>
Total restricted for capital projects, net of related debt	<u>\$ 358,964</u>
Unrestricted net assets	<u>\$ 342,145</u>
Total net assets	<u>\$ 224,592</u>

NOTE 10 – SUBSEQUENT EVENT

On January 30, 2007, a water right quitclaim deed was filed with Wasatch County conveying a total of 117.9 acre feet of Provo River rights from River Meadows Ranch to the District. These rights have been valued at \$1,179,000 based on fair market value.

SUPPLEMENTAL SCHEDULE

The schedule of impact fee activities is presented for additional analysis as required by *Utah Code Sections* 10-5-129, 10-6-150, 17-36-37, and 17A-1-4, and is not a required part of the basic financial statements.

NORTH VILLAGE SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF WASATCH COUNTY

Schedule of Impact Fee Activities

December 31, 2006

2005

2005 Sewer Impact Fees Collected	\$	889
2005 interest earned		<u>27</u>
Unexpended 2005		<u>916</u>

2006

2006 interest earned		<u>48</u>
Unexpended 2006	\$	<u><u>964</u></u>

The impact fees will be used to construct sewer infrastructure.

ADDITIONAL AUDITORS' REPORTS AND SCHEDULES

These additional reports are required by *Government Auditing Standards* and the Utah State Auditor's Office, respectively.



HAWKINS CLOWARD & SIMISTER

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Administrative Board Members
North Village Special Service District
Heber City, Utah

We have audited the financial statements of North Village Special Service District as of and for the year ended December 31, 2006, and have issued our report thereon dated April 7, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered North Village Special Service District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as described above.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether North Village Special Service District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management and the Utah State Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties.

Hawkins Cloward & Simister, LC

HAWKINS CLOWARD & SIMISTER, LC

CERTIFIED PUBLIC ACCOUNTANTS

April 7, 2007

NORTH VILLAGE SPECIAL SERVICE DISTRICT
A COMPONENT UNIT OF WASATCH COUNTY

Schedule of Audit Findings

December 31, 2006

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of North Village Special Service District.
2. There were no reportable conditions relating to the audit of the financial statements as reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standard*.
3. There were no instances of noncompliance required to be reported under *Government Auditing Standards*.

B. FINDINGS — FINANCIAL AUDIT CURRENT YEAR

None.

C. FINDINGS — FINANCIAL AUDIT PRIOR YEAR

None.



HAWKINS CLOWARD & SIMISTER

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UTAH STATE COMPLIANCE REPORT BASED ON THE REQUIREMENTS, SPECIAL TESTS AND PROVISIONS REQUIRED BY THE STATE OF UTAH'S LEGAL COMPLIANCE AUDIT GUIDE

Honorable Administrative Board Members
North Village Special Service District
Heber City, Utah

We have audited the financial statements of North Village Special Service District for the year ended December 31, 2006, and have issued our report thereon dated April 7, 2007. Our audit included testwork on the District's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

- Public Debt
- Cash Management
- Purchasing Requirements
- Budgetary Compliance
- Special Districts
- Other General Compliance Issues
- Impact Fees and Other Development Fees

The District did not receive any state grants during the year ended December 31, 2006.

The management of the North Village Special Service District is responsible for the District's compliance with all requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis,

evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

**CURRENT STATUS OF PRIOR YEAR IMMATERIAL INSTANCE OF
NONCOMPLIANCE**

Finding: Deficit Position

For the year ended December 31, 2005, North Village SSD was in a deficit position.

Status: Finding has been corrected.

In our opinion, North Village Special Service District complied in all material respects with the compliance requirements identified above for the year ended December 31, 2006.

This report is intended solely for the information and use of management and the Utah State Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties.

Hawkins Cloward + Simister, LC

HAWKINS CLOWARD & SIMISTER, LC

CERTIFIED PUBLIC ACCOUNTANTS

April 7, 2007